

# Transamerica High Yield Muni

Class A THAYX | Class I THYIX

## Investment Objective

The fund seeks to maximize total return through investment in medium- and lower-grade municipal securities that are exempt from federal income tax.

## Sub-adviser

Belle Haven Investments, L.P.



## Portfolio Manager

Matthew Dalton  
Brian Steeves

## Product Profile

An actively managed strategy that seeks to identify inefficiencies in the municipal bond market with the goal of maximizing total return by investing primarily in medium-to-lower-grade fixed income securities

- ➔ Opportunistic and tactical management within municipal bond market
- ➔ Focus on achieving total return
- ➔ Tax-advantaged income

## Fund Facts

Inception Date (A-I)	07/31/13 - 07/31/13
Benchmark Index	Bloomberg Barclays High Yield Municipal Bond Index
Morningstar Category	High Yield Muni
Lipper Category	High Yield Municipal Debt
Dividend Frequency	Monthly

## Market Overview

The yield curve continued its flattening trend throughout the quarter, especially towards the end of the quarter as the market began to price in a September U.S. Federal Reserve (Fed) rate hike. The Fed followed through on market expectations, and raised the federal funds rate by 0.25%. The yield on the 10 Year U.S. Treasury neared its year-to-date high (3.11% in mid-May), topping out at 3.10% towards the end of September. Once again this year, municipal issuance was down, and heavy redemptions in July and August helped support municipal performance in those months. Municipal fund inflows were positive for most of the quarter, though high yield municipal flows turned negative in the last week of September.

## Fund Overview

Transamerica High Yield Muni returned +0.27% for the quarter, underperforming its benchmark, the Bloomberg Barclays Muni High Yield Index, which returned +0.76%. The Fund's credit rating allocation was the largest detractor to performance this quarter. The largest rating detractor was the Fund's significant underweighting in below-investment-grade credits. The Fund's sector allocation also detracted from performance this quarter. The Fund was underweight water & sewer exposure, which was one of the top-performing sectors, though its underweight positioning in hospitals did contribute slightly to performance, as the sector was one of the worst-performing this quarter.

## Outlook

Contrary to the positive technical backdrop of the municipal market during the summer, the fall months are historically low-redemption periods, which may result in net positive supply and thus put pressure on the municipal market in the near-term. The long end of the yield curve appears cheap; however, the absence of bank participation and investor trepidations about extending portfolio durations may pose a hindrance for the long end to outperform. After the September Fed meeting, probability of another rate hike in December increased to over 70%, according to Fed fund futures. Though the Fed continues to view the economy as strong, there are still latent concerns regarding the impact of the ongoing trade wars and unpredictable geopolitical events.

All opinions, estimates, projections and security selections contained herein are those of the sub-adviser. It does not constitute investment advice and should not be used as a basis for any investment decisions. There are no sales charges on Class I. Class I shares are primarily offered for investment to institutional investors including, but not limited to, fee-based programs, pension plans, and certain endowment plans and foundations.

**Not insured by FDIC or any federal government agency. May lose value.  
Not a deposit or guaranteed by any bank, bank affiliate, or credit union.**

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## 30-Day SEC Yield

Class A – Subsidized	<b>3.00%</b>
Class A – Unsubsidized	<b>2.90%</b>

The **30-Day SEC Yield** is computed in accordance with a standardized method prescribed by rules of the SEC. The 30-Day SEC Yield is computed by dividing the fund's investment income per share earned during a particular 30-day base period by the maximum offering price per share on the last day of the base period, and then annualizing the result. The 30-Day SEC Yield is calculated at each month end and updated within the first ten business days of the following month. Be advised that the 30-Day SEC Yield calculation does not account for return of capital. Please refer to the most recent Annual Report for additional information regarding the composition of distributions. The subsidized 30-Day SEC Yield reflects the reimbursements or waivers of certain expenses. Had fees not been waived and/or expenses reimbursed, the yield would be lower. The unsubsidized 30-Day SEC Yield does not reflect reimbursements or waivers of expense fees.

## Top 10 Holdings

	% of Holdings
Golden State Tobacco Securitization Corp., Series A-1, 5.00%, due 06/01/2047	2.40
City of La Vista, 3.25%, due 07/15/2042	2.05
New York Counties Tobacco Trust VI, Series C, 3.75%, due 06/01/2045	1.95
Painted Prairie Metropolitan District No. 2, 5.25%, due 12/01/2048	1.88
Cardinal Local School District, 5.25%, due 04/01/2038	1.85
County of Montgomery, 6.00%, due 04/01/2038	1.82
Western Illinois Economic Development Authority, 4.00%, due 06/01/2036	1.38
East Chicago Sanitary District, 4.00%, due 07/15/2031	1.30
St. Tammany Parish Hospital Service District No. 1, Series A, 4.00%, due 07/01/2043	1.28
Tobacco Settlement Financing Corp., Series B, 5.00%, due 06/01/2046	1.24
<b>Percentage of total portfolio</b>	<b>17.15</b>

Holdings are subject to change and are not recommendations to buy or sell a security. Holdings excludes net other assets (liabilities).

## Total Return Performance (%)

	3 Mo	YTD	1 Yr	3 Yr*	5 Yr	10 Yr	Inception*
Class A (at NAV)	0.25	0.89	2.74	4.07	6.77	N/A	7.11
Class A (at POP)	-3.02	-2.36	-0.60	2.94	6.07	N/A	6.42
Class I (at NAV)	0.29	1.00	2.81	4.25	6.96	N/A	7.30
BB High Yield Municipal Index	0.76	4.45	6.36	6.29	6.36	N/A	–

\* Average Annual Total Return

## Calendar Year Performance (%)

	2017	2016	2015	2014	2013	2012	2011
Class A (at NAV)	9.52	-0.59	6.40	17.23	N/A	N/A	N/A
Class I (at NAV)	9.67	-0.44	6.54	17.49	N/A	N/A	N/A
BB High Yield Municipal Index	9.69	2.99	1.81	13.85	N/A	N/A	N/A

**The performance data presented represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Please see transamerica.com for performance data current to the most recent month-end. The investment return and principal value of mutual funds will fluctuate over time so that shares, when redeemed, may be worth more or less than their original cost.**

**Net asset value (NAV) returns include reinvestment of dividends and capital gains but do not reflect the deduction of any sales charges. If a sales charge had been deducted, the results would have been lower. Public offering price (POP) returns include reinvestment of dividends and capital gains and reflect the maximum sales charge of 3.25%. Performance for other share classes will vary.**

**The gross expense ratios for this fund are 1.04% and 0.83% for Class A and Class I shares, respectively. The net expense ratios for this fund are 0.91% and 0.76% for Class A and Class I shares, respectively. Contractual arrangements (if applicable) have been made with the fund's investment manager, Transamerica Asset Management, Inc. (TAM), through March 1, 2019.**

Performance figures reflect any fee waivers and/or expense reimbursements by the Investment Manager. Without such waivers and/or reimbursements, the performance would be lower. Future waivers and/or reimbursements are at the discretion of the Investment Manager.

The Bloomberg Barclays High Yield Municipal Bond Index (BB High Yield Municipal Index) is an unmanaged index used as a general measure of market performance. It is not possible to invest directly into an index. Calculations assume dividends and capital gains are reinvested and do not include any managerial expenses.

Municipal bond prices can rise or fall depending on interest rates. Interest rates may go up, causing the value of the fund's investments to decline. All municipal bonds carry credit risk that the issuer will default or be unable to make timely payments of interest and principal. Generally, lower rated bonds carry more credit risk. High-yield bond (junk bonds) funds may be subject to greater volatility and risks as the income derived from these securities is not guaranteed and may be unpredictable and the value of these securities tends to decline when interest rates increases. The fund is classified as "non-diversified," which means it may invest a larger percentage of its assets in a smaller number of issuers than a diversified fund. To the extent the fund invests its assets in fewer issuers, the fund will be more susceptible to negative events.

**Mutual funds are subject to market risk, including the loss of principal. Past performance is not indicative of future results.**

**Mutual Funds are sold by prospectus. Before investing, consider the funds' investment objectives, risks, charges, and expenses. This and other important information is contained in the prospectus. Please go to [www.transamerica.com](http://www.transamerica.com) or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.**

Transamerica Funds are advised by Transamerica Asset Management, Inc. (TAM) and distributed by Transamerica Capital, Inc. (TCI) member of FINRA.

TAM and Belle Haven Investments, L.P. are not affiliated companies.

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